

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

11 December 1978

National Intelligence Officers

MEMORANDUM FOR: Director of Central Intelligence

VIA: Director, National Foreign
Assessment Center

25X1A FROM:
National Intelligence Officer for China

SUBJECT: DIA Analysis of the PRC Leadership

1. Action Requested: None. This memorandum is for your information. It is in response to your question on DIA analysis of the Chinese leadership (see attached).

2. Background: This PRC item leaves the unwarranted impression that the Chinese are considering at least a partial "rejection of communism" in the area of economic decision making. Such a conclusion is not a responsible one to draw from the evidence at hand. The statement of a Chinese official to a leadership gathering that socialist systems become "overbureaucratized" by no means implies an abandonment of socialism or the embracing of capitalism. Rigid bureaucratic systems have been pet peeves of every Chinese communist leader starting with Mao and including Teng. The item's conclusion that economic decisionmaking will become so decentralized as to impinge on the authority of the national government also is unwarranted. The fact that China's top officials are meeting now to discuss such issues as economic policy attests to Peking's intention to keep the establishment of the major policy lines to itself. We expect some decentralization of economic decisionmaking--Peking has publicly urged local authorities to show more initiative in this regard--and it is logical to assume that the current effort to strike a workable balance between central and local initiative is no less difficult than it has ever been

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DIA review(s) completed.

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for the Chinese communists. It does not follow, however, that the PRC will give up on this long-standing effort in favor of adopting a "capitalist" system or that such strong-willed leaders as Teng Hsiao-ping will give away the more important decisionmaking authority to local units.

3. One last point, the sources of this report are westernized Chinese in touch with sympathetic contacts in western embassies. Their comments are not typical of Chinese cadres and reflect wishful thinking. You have to see them against that broad background of hardnosed China-oriented revolutionary leaders who really call the shots after various views are ventilated.

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cc: DDCI

Attachment:
DIA Analysis

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PRC:

(S/NOFORN) Several knowledgeable PRC officials have revealed that the Party Work Conference in Peking, which had been expected to adjourn last week, is still in session. They further stated that the Chinese Ambassador to the European Community had addressed the conference on a comparison of socialist and capitalist economic systems. He concluded that socialism is superior except for its tendency to be "over bureaucratized," in which instance capitalism is the better alternative.

(S/NOFORN) The official's statements reveal that the conference is considering more than just developmental policy and is discussing the more basic and significant problems of the economic system itself. This could be the logical conclusion of China's reported experimentation with the Yugoslav system of decentralized socialism. The revelation of this issue as one of the conference's topics clarified a previously lightly regarded report that Vice Premier Teng Hsiao-Ping confidentially told the Japanese Foreign Minister, "We are presently studying whether the continuation of the communist system in the PRC hereafter will be good or bad for the country."

(S/NOFORN) Although total rejection of communism is not expected, Teng obviously envisages considerable movement from the highly centralized version that China now follows. The scope and complexity of such a move, with its political ramifications, account for the conference's continuation. Any decentralization of economic decisionmaking authority to individuals and enterprises will impinge on the power of the central government and the Communist Party and will be a contentious issue. It is expected that the specifics of how far and how fast the PRC leadership intends to move along this path will be revealed at the conclusion of the full Party Central Committee meeting scheduled later this month. SOURCES: USLO, Peking; 500th MIGP (Classified by multiple sources; review on 6 Dec 08)

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